

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

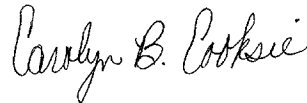
**Notice FLP-229**

1951-F, 6-FLP

**For:** State and County Offices

**Graduation of Minor Program Loans**

**Approved by:** Deputy Administrator, Farm Loan Programs



**1 Overview**

**A**

**Background**

RD Instruction 1951-F provides that specified Minor Program Loans require a graduation review. Minor Program Loans include:

- Indian Tribal Land Acquisition Program
- Grazing Associations
- Irrigation and Drainage
- Non-Farm Enterprise
- Recreation Loans to Individuals.

**B**

**Purpose**

This notice provides guidance to State and County Offices on graduation servicing for Minor Program borrowers.

**C**

**Contact**

For further information about this notice, contact Mel Thompson, LSPMD, at 202-720-7862.

**Disposal Date**

October 1, 2002

10-24-01

**Distribution**

State Offices; State Offices relay to County Offices

## 2 Action

### A DD's Responsibilities

DD's are responsible for completing graduation reviews of the following loan types:

- ITLAP
- Grazing Association
- Irrigation and Drainage.

When completing graduation reviews, DD's shall:

- meet with lenders to discuss their underwriting criteria and identify those interested in refinancing Agency loans

**Note:** Discussions shall be documented in the operational file and will include a narrative identifying the lender's interest in refinancing Agency borrowers; lender's rates, terms, fees, loan conditions, and policies; and the amount of estimated credit available to Agency borrowers.

- request financial information from the borrower including, at minimum, the most recent financial statement and cash flow statement
- request borrowers to graduate who meet the established commercial lending criteria
- review cases for acceleration and foreclosure according to RD Instruction 1951-F, section 1951.264 for those borrowers who either are eligible for graduation but refuse to graduate, or for those borrowers who fail to provide the requested financial information.
- complete a report on graduation activities including:
  - name of the borrower
  - reasons for requesting or not requesting the borrower to graduate
  - action taken to graduate borrowers who appear to have the ability to refinance the Agency debt
  - result of the graduation review

**Note:** The DD's report to SED will include the graduation activity report for borrowers with Non-Farm Enterprise and Individual Recreation loans completed by FLM.

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**2 Action (Continued)**

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**A**

**DD's  
Responsibilities  
(Continued)**

- send the report on graduation activities to SED by December 3, 2001.
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**B**

**FLM  
Responsibilities**

FLM's are responsible for:

- assisting DD in the graduation review for Minor Program loan borrowers identified in subparagraph A
- completing graduation reviews of borrowers with Non-Farm Enterprise loans and Recreation loans to individuals.

When completing graduation reviews, FLM's shall:

- meet with lenders to discuss their underwriting criteria and assess their interest in refinancing Agency loans
  - keep a record of lender contacts and information gathered in operational files
  - request financial information from borrowers to make an initial assessment of the borrower's ability to graduate
  - request borrowers who meet the established commercial lending criteria to attempt to graduate
  - review cases for acceleration and foreclosure according to RD Instruction 1951-F, section 1951.264 for those borrowers who either are eligible for graduation but refuse to graduate, or for those borrowers who fail to provide the requested financial information
  - complete a report on graduation activities for Non-Farm Enterprise borrowers and Recreation loans to Individuals and provide that report to DD by November 23, 2001.
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**C**

**State Office  
Responsibilities**

Farm Loan Chief will review the graduation activity reports submitted to SED by DD's for compliance with RD Instruction 1951-F. Any deficiencies noted in the graduation review will be addressed. The final report will be submitted by SED to DAFLP by February 1, 2002.

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